

MEMORANDUM

To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards
Michigan Education Association
Middle Cities Education Association
Michigan Association of School Administrators
Michigan Association of Intermediate School Administrators
AFT Michigan
Michigan Elementary and Middle School Principals Association
Michigan Association of Secondary School Principals

RE: House Bill 5017 and its effect on local school districts

Date: October 23, 2013

We write today in opposition to House Bill 5017 due to its negative impact on our local school districts and the School Aid Fund (SAF).

House Bill 5017 would provide a three-year property tax exemption for land and construction on development properties. This expands a law that was passed last session, Public Act 494, and is retroactive to November of 2012. The effect on the SAF is indeterminate; however it would reduce local property tax revenue for our public school districts.

Our concerns lie in the bigger picture. While this particular bill may seem to be only a small decrease to our local schools, when added to the many other policies recently passed and being considered, they continue to erode the school aid fund and add up to a significant amount of money over time. Attached is a memo listing all of the bills considered by the House that effect the SAF.

We urge you to look very closely at this bill and similar ones and the collateral damage they cause over time. Our schools will continue to see cuts if the school aid fund does not receive the revenue necessary to support our students and communities.

We urge you to oppose this bill until our local schools are held harmless by the cuts proposed. If you have any questions, please feel free to contact any of us in the education community listed.

Legislation Passed by the House Committees Since January 2013 that Affect the School Aid Fund (does not include bills that had hearings but no votes, or bills passed by the Senate).

Tax Policy:

SB89-90 and HB4234 – eliminate the sales and use taxes on the difference between the value of a trade-in and a new vehicle.

\$152 Million loss to SAF

SB142-143 – eliminate sales and use taxes on prewritten software

\$7-11 Million loss to SAF

HB4121 – allow a 5 year tax abatement on the sale of school property

Amount of loss to SAF undetermined

HB4135 – eliminate the requirement to pay school operating mills on foreclosed properties

\$38-42 Million loss to SAF

HB4202-4203 – create sales and use taxes on sales over the internet

Amount of increase to SAF undetermined - however HFA states as written the bills would not generate much revenue.

HB4540 (Public Act 85 of 2013) – clarify taxation of certain industrial facilities exemption certificates

Amount of loss to SAF undetermined

HB4541 (Public Act 115 of 2013) – allow an application approval for the previous tax year under the obsolete property and rehabilitation law

Amount of loss to SAF undetermined

HB4831 – exempt over-the-counter prescription medications from the sales tax

\$6 Million loss to SAF

Transportation & Infrastructure:

HB4572 – eliminate sales tax on aviation fuel

\$35-41 Million loss to SAF

HB4677 – earmark portion of sales tax revenue to transportation fund

Includes a \$55 Million increase to SAF

Natural Resources:

SB51, 54 & 55 and HB4244 (Public Acts 42, 43, 44 and 50 of 2013) – changes in the taxes on forestry industry and property

Amount of loss to SAF undetermined

These few bills total a minimal loss to the SAF of \$238 million annually.

The minimal increase to the SAF is \$55 million annually.

School Aid
Programs Formerly Funded from the General Fund and Program Transfers from Other Departments

<u>Sec.</u>	<u>Program</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>Formerly</u> <u>Funded</u> <u>Department</u>	<u>Fiscal Year</u> <u>Program</u> <u>Transferred</u>
		<u>YTD</u>	<u>YTD</u>	<u>YTD</u>	<u>YTD</u>	<u>YTD</u>		
11g	Durant - Debt Service	\$39,000,000	\$39,000,000	\$39,000,000	\$39,000,000	\$39,500,000	General Fund	2006-07
11j	School Bond Redemption Fund	\$40,000,000	\$5,167,800	\$93,575,300	\$120,390,000	\$131,660,000	Treasury	2002-03
11m	Cash Flow Borrowing Costs	\$12,000,000	\$15,000,000	\$2,100,000	\$3,200,000	\$4,000,000	General Fund	2007-08
24a	Juvenile Detention Facility	\$1,751,300	\$1,440,000	\$2,114,800	\$2,135,800	\$2,167,500	Dept Human Services	2006-07
24c	Challenge Program	\$642,300	\$742,300	\$765,600	\$1,500,000	\$1,500,000	Military & Veteran Affairs	2006-07
26a	Renaissance Zone Costs	\$35,500,000	\$26,300,000	\$25,137,500	\$27,800,000	\$26,300,000	General Fund	2005-06
26b	PILT Reimbursement	\$2,400,000	\$2,400,000	\$3,000,500	\$3,169,500	\$4,009,500	Dept Natural Resources	2005-06
31a(6)	Adolescent Health Centers	\$3,557,300	\$3,557,300	\$3,557,300	\$3,557,300	\$3,557,300	Dept of Community Health	2005-06
31a(7)	Hearing and Vision Screening	\$5,150,000	\$5,150,000	\$5,150,000	\$5,150,000	\$5,150,000	Dept of Community Health	2006-07
31f	School Breakfast Program	\$9,625,000	\$9,625,000	\$9,625,000	\$9,625,000	\$5,625,000	Dept of Education	2006-07
32i	School Readiness - Competitive	\$7,575,000	\$7,575,000	\$8,875,000	\$8,875,000	\$0	Dept of Education	2005-06
65	Precollege Engineering Grants	\$905,100	\$905,100	\$0	\$0	\$0	Dept of Labor & Econ Growth	2006-07
74	School Bus Inspections	\$1,403,500	\$433,800	\$1,608,900	\$1,634,900	\$1,674,000	State Police	2006-07
104	MEAP Tests - State only	\$26,630,700	\$40,194,400	\$35,194,400	\$26,694,400	\$26,694,400	Dept of Education	2006-07
201	Community Colleges	\$208,400,000	\$0	\$195,880,500	\$197,614,100	\$197,614,100	General Fund	2009-10
236	Higher Education			\$200,219,500	\$200,565,700	\$200,565,700	General Fund	2011-12
Total		\$394,540,200	\$157,490,700	\$625,804,300	\$650,911,700	\$650,017,500		

GF/GP Appropriated In School Aid Budget

1994-95	\$664,900,000
1995-96	\$596,400,000
1996-97	\$277,900,000
1997-98	\$376,000,000
1998-99	\$420,613,500
1999-2000	\$420,613,500
2000-01	\$385,613,500
2001-02	\$198,400,000
2002-03	\$249,413,500
2003-04	\$377,800,000
2004-05	\$165,200,000
2005-06	\$62,714,000
2006-07	\$35,000,000
2007-08	\$34,909,600
2008-09	\$78,000,000
2009-10	\$30,206,200
2010-11	\$18,642,400
2011-12	\$78,642,400
2012-13	\$282,400,000
2013-14	\$234,900,000